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The AGRICULTURAL OUTLOOK DIGEST

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Demand for farm products probably will not be as strong in 1948 as last year but will remain higher than in 1946.

If world crop production turns out as large as prospects indicate, foreign countries will take less U. S. farm products. The value of agricultural exports this year may be 15 to 20 percent below the 1947 record.

Prices received by farmers averaged a little higher in March than after the February break in some products. For the year, they probably will average below 1947 but above 1946. Farmers' cash receipts are likely to be down but probably less than 10 percent. Net income may be off somewhat more because farmers' costs will be higher.

Last year, the high level of business activity that kept demand for farm products strong was chiefly due to: (1) large expenditures for new houses, plants and equipment and inventories; (2) a large surplus of exports over imports; (3) heavy spending by consumers; (4) high government expenditures.

This year, the first two factors may be some smaller than in 1947. However, increased government outlays for national defense, if authorized by Congress, may offset these reductions.

Spending for plant and equipment, houses and inventories was heavy in the last two years. Much of the wartime shortages have been erased.

Spending for producers' goods helped drive prices up. Money spent for wages, salaries and materials created consumer purchasing power but the flow of goods to consumers was not increased until the new plants were in operation.

More may be spent for new houses this year than last but spending for plants, equipment and inventories may drop below 1947.

Consumers' expenditures increased more rapidly in 1946 and 1947 than their incomes. This was possible because of an increase in the use of credit to record levels, a cut in the rate of savings and perhaps by drawing on previous savings.

Consumer income also rose in the last two years but the gain was offset by rising prices. Increases this year in wage rates and consumer credit are likely to be smaller than in 1947. However, a reduction in income taxes would stimulate spending.

Heavy spending by consumers was one of the main reasons why prices of farm products set a record in 1947. About 31 percent of total consumer expenditures went for food compared with about 25 percent before the war.

In 1947, U. S. exports of goods and services totaled 19.6 billion dollars; imports 8.3 billions. The 11.3 billion dollar surplus had an inflationary effect similar to heavy expenditures for plant and equipment. It swelled purchasing power without increasing the supply of consumer goods.

Foreign countries will have fewer dollars to buy goods from the U. S. this year, even if the European Recovery Program is as large as the one passed by the Senate. In the first quarter of 1948, the annual rate of exports was below any quarter in 1947.

U. S. agricultural exports in 1948 will be reduced considerably, if crops abroad are as large as prospects indicate. Exports of grains and grain products will drop most. Even if the Senate-approved ERP is adopted, the value of agricultural exports may drop as much as 20 percent below 1947.

Currently, economic activity remains high.

Industrial production in February equalled the peacetime record of January. Employment in early February was 57.1 million persons, the same as in January and 1.6 millions above a year earlier. 2.6 millions were looking for work.

Personal incomes at an annual rate of 210.8 billion dollars in January were slightly higher than in December and 21.5 billions above a year earlier. Figures for February are not yet available but a drop probably occurred because of smaller net income of farmers.

Cash receipts of farmers in the first quarter of 1948 were 6.3 billion dollars, slightly more than a year earlier.

Commodity prices generally have been stable since the February decline in some farm products and foods. The BLS wholesale price index in mid-March was 166, 6 points below January and about the same as last November.

The index of prices received by farmers was 283 in March, up 4 points from February. The index of prices paid by farmers including interest and taxes was 1 point below the February level of 248. As a result, the parity ratio rose 3 points to 115.

FEEDS If farmers plant as many acres to corn, oats, barley and sorghums as they intended on March 1, total acreage would be around 157 millions, up 3 percent from 1947 but down 6 percent from the 1942-46 average. If yields by States equal 1942-46 average, production of the four grains would be about 116 million tons, about one-fifth more than in 1947.

Prices of feed grains in March were well above the February lows; at mid-month were 38 percent above March 1947. Some byproduct feeds declined during the same period. Prices this summer and fall will depend largely on progress of 1948 feed crops.

LIVESTOCK AND MEAT Meat output under Federal inspection was about 10 percent lower in January-March than a year earlier. Production is likely to continue below a year earlier in each of the next 3 quarters.

Prices of meat animals were fairly steady in late February and early March and were only a little below the record averages of 1947. If consumer incomes remain high, prices probably will rise seasonally until marketings increase next fall.

DAIRY PRODUCTS Prices of fluid milk and all manufactured dairy products were higher in mid-March than a year earlier. Prices of most items will decline through June as output increases seasonally but probably will remain above a year earlier.

POULTRY AND EGGS Egg consumption in January-March was about the same as in the first quarter of last year even though prices averaged 45 cents a dozen, or about 15 percent higher. Consumption is likely to continue near 1947 levels. Output may be down as much as 5 percent. As a result, fewer eggs will be bought for price support and export.

FATS AND OILS Prices of most fats and oils, except butter, have climbed slightly above the February lows. During the next six months, prices of most food and soap fats probably will average at least as high as in March. Supplies will be somewhat below a year earlier.

WHEAT On March 1, farmers planned to sow 19.8 million acres to spring wheat. If yields by States equal 1936-46 average, 272 million bushels will be produced. This, combined with December winter wheat estimate of 839 million bushels, gives total crop of 1,110 million bushels. Only five U. S. crops have reached billion-bushel mark.

Europe's wheat and rye crops may be well above last year; may equal or exceed 1946 harvest.

Cash wheat prices on March 29 were about 15 cents above the low reached in the February break. After being out of markets for some time, CCC bought both wheat and flour in March.

FRUITS AND VEGETABLES Orange prices may rise further, though less than seasonally, in April and May. Prices of most other fruits are expected to hold at mid-March levels. At that time, prices of all fruits averaged 35 percent below March 1947.

Prices received by farmers for fresh vegetables will fall seasonally although demand is expected to continue strong. The supply outlook: cauliflower, up about 8 percent from 1947; spring shallots, early spring lettuce, early spring asparagus, down 4 to 8 percent; carrots, down one-fourth to one-third.

Cold weather has slowed 1948 early potatoes. This will help complete marketings of old crop. Prices of 1947 potatoes during next two months are expected to be slightly above support levels; well above a year earlier.

COTTON AND WOOL Exports of cotton in the first half of the 1947-48 season totaled 872,000 bales, 47 percent below the same period last year. This is the smallest first half exports in peacetime in more than 60 years. Since stocks are low in importing countries, U. S. exports probably will increase over first-half rate regardless of amount of financial aid to Europe.

U. S. mills have been consuming cotton at a rapid rate, although slower than a year earlier. Through first 7 months of the season mills used 5.4 million bales. However, slower rate in later months may hold 12 months' consumption to 9 million.

Spot prices of cotton rose during March. On March 29, middling 15/16 inch averaged 35.30 cents per pound compared with 33.82 cents on March 1.

Trading in Boston Wool Market has been quiet since the sharp drop in foreign markets.